

Business

FALLING POWER

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End of an Era for Kennecott

Its Longtime Corporate Presence In Utah Will Vanish Come April

BY STEVEN OBERBECK

THE SALT LAKE TRIBUNE

Kennecott Corp. will no longer be calling Utah home — or anywhere else for that matter.

The company's Utah office, which employs some 220 people and once oversaw mining operations as far away as New Guinea, is being closed as part of a worldwide restructuring at RTZ-CRA, Kennecott's London-based parent company.

Some 75 Utahns are expected to lose their jobs.

"Kennecott has had a corporate presence in Utah since the 1960s," says spokeswoman Alexis Fernandez, who is moving to London next month to take over as RTZ-CRA's corporate communications manager. That presence will end under the new structure, which takes effect April 1.

RTZ-CRA, which acquired Kennecott from British Petroleum in 1989, is reorganizing its global mining business along with its six major commodity lines that include copper, gold and energy.

Kennecott Corp. was deemed to be an unnecessary layer of management sandwiched between the Bingham Canyon mine and smelter and overseas decision makers.

Fernandez says the 75 employees who will be laid off will come from the ranks of 120 Kennecott Corp. employees in Salt Lake City and the 100 employees who work at the Magna offices of Kennecott Utah Copper, which oversees operations at the Bingham Canyon mine and smelter.

All remaining Kennecott Corp. employees will leave their offices in downtown Salt Lake City and be assigned to Kennecott Utah Copper offices in Magna.

Aside from the layoffs, the realignment is expected to have little impact in Utah.

There will still be 2,500 people working at Kennecott Utah Copper and another 800 at Kennecott Minerals, which operates five precious-metals mines in Utah, Nevada, Alaska, Wisconsin and South Carolina. Both of those organizations will report directly to

London.

The operations of Kennecott Energy Co., which runs six coal mines in Wyoming, Montana and Colorado and employs 1,000, will become part of the RTZ-CRA's global energy business group and report to Melbourne, Australia, headquarters.

Frank Joklik, who for years headed Kennecott Corp. in Utah before his retirement in 1993, said that during his tenure with RTZ, Kennecott Corp. "operated in a decentralized manner."

That decentralized structure helped Joklik successfully push RTZ's management to launch a \$1.5 billion modernization of Kennecott's smelter that was completed in 1995, although some of the bugs that have kept the property from producing at full capacity still remain to be worked out, he said.

"It is difficult to say if the modernization would have happened" if Kennecott Corp. had not had a presence in Utah, Joklik says. "But I would say not."

The restructuring is aimed at untangling the management web that was created 15 months ago when the London-based RTZ Plc. merged with Australia's CRA Ltd. to create one of the world's largest mining conglomerates.

"This is strictly a cost-cutting measure aimed at benefiting their bottom line," says Alan C. Richards, a securities analyst with BZW Ltd. in London. "Estimates are that it will save them \$50 million to \$60 million pretax in 1998."

The new structure "not only brings keener focus on customers and opportunities, but simplifies relationships, better concentrates our technological expertise and streamlines decision making," Leon Davis, RTZ-CRA's chief executive, said in a statement.

It will also eliminate duplication, the company said. For example, RTZ-CRA had four people overseeing copper assets. Now there will be one.

The changes follow an unexpected 24 percent drop in RTZ-CRA's 1996 profit, which fell to \$1.1 billion.

RTZ-CRA blamed the results on the collapse of copper and aluminum prices but also said it missed out on \$150 million in profits last year because of the problem-plagued Utah copper smelter. The company hopes to fix the problem by replacing a giant wheel used to make copper castings. The Utah smelter is expected to finally reach capacity by late June.

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Pilots Reach Tentative Agreement With Airline

THE ASSOCIATED PRESS

WASHINGTON — Negotiators for American Airlines and its pilots have reached an agreement in principle in a contract dispute that threatened to shut down a major portion of the nation's air travel, spokesmen for the pilots and the airline said Wednesday.

sources cautioned that several details must be worked out before a proposal is submitted to the pilots' board.

Word of the proposal came as an emergency board sent President Clinton a report about the issues separating the pilots and the nation's largest domestic airline.

wanted its lower-paid American Eagle pilots to move into jet cockpits.

The aviators, who already are among the highest-paid workers in the nation, with average salaries of \$120,000, and the airline have been negotiating since 1994.

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